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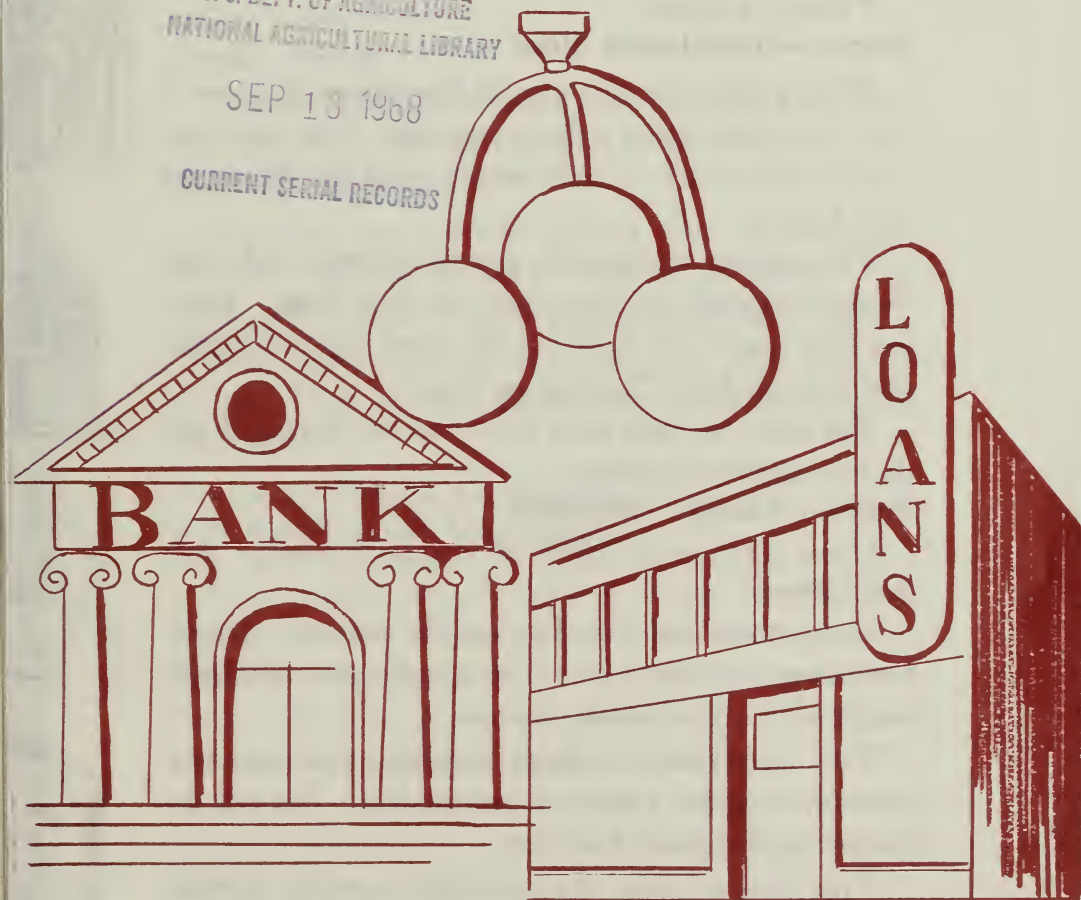
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WHERE TO GET CREDIT

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Division of Home Economics—Federal Extension Service
U.S. Department of Agriculture

WHERE TO GET CREDIT

Learn about the places to get credit. Then you can shop for the lowest cost.

Some places that offer credit are:

- Stores
- Banks
- Credit Unions
- Personal Finance Companies
- Small Loan Companies
- Pawnshops
- Illegal Lenders

Stores—Installment Plan

Many people use this plan to buy things that cost a lot. You often make a down payment. You pay a set amount each week or each month until the things are paid for.

The amount you have to pay for interest and other charges depends on the store you buy from. Know just how much you must pay for what you are buying and how much for “buying on time.”

The store can take back what you are buying if you do not make the payments.

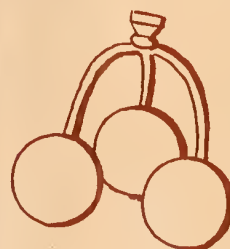
Stores—Charge Accounts

Stores offer many kinds of charge accounts. Ask about them.

Some stores tell you how much you can charge. Sometimes no limit is set. You usually get a bill each month telling how much you owe.

With some kinds of charge accounts, you must pay the entire amount when you get the bill. You pay no interest on this kind of account.

With another kind, you must pay a certain amount each month as long as you owe at least that much. If you owe less, you pay only what you owe. You pay interest on what you still owe.



With another plan, the amount you must pay each month depends on how much you still owe. This amount is a certain percent of what you owe. You pay interest on what you owe.

A store that has charge accounts may have higher prices.

Banks

Banks charge a lower interest rate than most other places that lend money.

To borrow from a bank, you must have a good reason and be a good risk.

Credit Unions

A group of people can form a credit union. You must pay money into the credit union to join. You earn interest on your money.

You must be a member to get a loan. Members decide who can borrow from everybody's money. You need a good reason to get a loan, just like at a bank.

Each credit union decides how much interest it will charge. Their charges usually run about the same as at a bank.

Personal Finance Companies and Small Loan Companies

Some people may be able to borrow money only from a personal finance or small loan company. You usually have to pay more interest than you would at a bank. You pay more interest because you do not need to own much property to back up the loan.

At some companies, you do not need to own anything to back up the loan. But the interest rate will usually be even higher.

Pawnshops

You must leave something valuable like a watch or a TV with a pawnshop. They don't give you much

money for what you leave there. They can sell it if you don't pay back the loan when you say you will.

Pawnshops charge high interest rates.

Illegal Lenders

Illegal lenders charge very high interest rates! They charge more than any other place you can get credit. For your own good, do not borrow from illegal lenders.

HOW'S YOUR CREDIT RATING?

Banks, stores, and other lenders won't give you credit unless they think you will pay them back.

You are a good credit risk if:

- You always pay your bills when they are due.
- You have a job and get paid regularly.
- You own things that are worth more than you want to borrow.

If you have a good credit rating you may be able to get a low interest rate.

If you are a bad credit risk, you may have to go where they charge more. Some stores may not let you charge things.



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